

OUACHITA COUNCIL OF GOVERNMENTS

Financial Statements

For the Year Ended June 30, 2012

OUACHITA COUNCIL OF GOVERNMENTS

Financial Statements

For the Year Ended June 30, 2012

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LUFFEY, HUFFMAN, RAGSDALE & SOIGNIER

(A PROFESSIONAL ACCOUNTING CORPORATION)
CERTIFIED PUBLIC ACCOUNTANTS

John L. Luffey, MBA, CPA (1963-2002)
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INDEPENDENT AUDITORS' REPORT

Board Members Ouachita Council of Governments Monroe, Louisiana

We have audited the accompanying financial statements of the governmental activities of the Ouachita Council of Governments (the Council), as of and for the year ended June 30, 2012, which collectively comprise the Council's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the General Fund of the Ouachita Council of Governments as of June 30, 2012 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2012 on our consideration of the Council's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 14 be presented to supplement the basic financial

Board Members
Ouachita Council of Governments

statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Ouachita Council of Governments has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Luffey, Huffman, Rozell, & Seignier

(A Professional Accounting Corporation)

November 26, 2012

BASIC FINANCIAL STATEMENTS

OUACHITA COUNCIL OF GOVERNMENTS

Balance Sheet (FFS)

Statement of Net Assets (GWFS)

June 30, 2012

	<u>Balance Sheet</u> <u>Major Fund</u> <u>General Fund</u>	<u>Adjustments</u>	<u>Statement of</u> <u>Net Assets</u>
Assets			
Cash	\$ 71,978	\$ -	\$ 71,978
Receivables			
Federal sources	22,750	-	22,750
Local sources	30,029	-	30,029
Total assets	<u>\$ 124,757</u>	<u>\$ -</u>	<u>124,757</u>
Liabilities			
Accounts payable	\$ 55,389	\$ -	55,389
Total liabilities	<u>55,389</u>	<u>-</u>	<u>55,389</u>
Fund balance			
Unassigned	69,368	(69,368)	
Total fund balance	<u>69,368</u>		
Total liabilities and fund balance	<u>\$ 124,757</u>		
Net assets			
Unrestricted		69,368	69,368
Total net assets		<u>\$ -</u>	<u>\$ 69,368</u>

The notes to the financial statements are an integral part of this statement.

OUACHITA COUNCIL OF GOVERNMENTS

Statement of Revenues, Expenditures and Changes in Fund Balance (FFS)

Statement of Activities (GWFS)

For the Year Ended June 30, 2012

	Statement of Revenues, Expenditures and Changes in Fund Balance			Statement of Activities
	Major Fund			
	General Fund	Adjustments		
Expenditures / Expenses				
General and administrative	\$ 41,944	\$ -	\$	41,944
Health and welfare	19,764	-		19,764
Public works				
Federal Highway Administration	260,428	-		260,428
Federal Transit Administration	60,978	-		60,978
Total expenditures / expenses	383,114	-		383,114
Program / Intergovernmental Revenues				
Operating grants and contributions				
Federal grants				
Federal Highway Administration	208,342	-		208,342
Federal Transit Administration	50,782	-		50,782
Total Federal grants	259,124	-		259,124
Local grants				
City of Monroe	67,669	-		67,669
City of West Monroe	20,370	-		20,370
Ouachita Parish Police Jury	30,029	-		30,029
Total local grants	118,068	-		118,068
Total program/intergovernmental revenues	377,192	-		377,192
Net program revenues	(5,922)	-		(5,922)
General revenues				
Contributions-in-kind	7,210	-		7,210
Interest income	35	-		35
Total general revenues	7,245	-		7,245
Excess of revenues over expenditures / expenses	1,323	-		1,323
Fund balance / net assets beginning of year	68,045	-		68,045
Fund balance / net assets end of year	\$ 69,368	\$ -	\$	69,368

The notes to the financial statements are an integral part of this statement.

OUACHITA COUNCIL OF GOVERNMENTS

Notes to the Financial Statements

For the Year Ended June 30, 2012

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OUACHITA COUNCIL OF GOVERNMENTS

Notes To Financial Statements

For The Year Ended June 30, 2012

Note 1 - Summary of Significant Accounting Policies

The accompanying financial statements of the Ouachita Council of Governments (the Council) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The Ouachita Council of Governments was created by the Commission Council of the City of Monroe, the Mayor and Board of Aldermen of the City of West Monroe, the Ouachita Parish Police Jury, the City of Monroe School Board, and the Ouachita Parish School Board on September 23, 1968, under the authority of Louisiana Revised Statutes 33:1321-1332. On February 26, 1973, the articles of the agreement were amended to provide for two classes of membership on the Council - regular members and associate members. The regular membership consists of: (1) two members from the City of Monroe Commission Council (one of whom may be the Mayor) appointed by the Commission Council; (2) two members from the membership of the Mayor and Board of Aldermen of the City of West Monroe (one of whom may be the Mayor) appointed by the Mayor and Board of Aldermen; and (3) two members from the Ouachita Parish Police Jury (one of whom may be the President) appointed by the Ouachita Parish Police Jury. Any other unit of government situated within Ouachita Parish, or having an operating office in Ouachita Parish, is eligible for associate membership. Regular and associate members serve without benefit of compensation.

In creating the Ouachita Council of Governments, the members included in the articles of the agreement the following functions and purposes of the Council:

1. To carry on a continuing comprehensive planning program that supplements and coordinates but does not duplicate the programs of the member units.
2. To study such area governmental problems common to two or more members of the Council as it deems appropriate, including but not limited to matters affecting health, safety, welfare, education, economic conditions and regional development.
3. To promote cooperative arrangements and coordinate action among its members.
4. To make recommendations for review and action to the members and other public agencies that perform functions within the region.
5. To serve as a clearinghouse, for the benefit of the member governments, of information concerning their common problems and concerning state and federal services available to assist in the solution of these problems.

Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Because the Council

OUACHITA COUNCIL OF GOVERNMENTS

Notes To Financial Statements

For The Year Ended June 30, 2012

members are solely accountable for fiscal matters, which include (1) budget authority, (2) responsibility for funding deficits and operating deficiencies, and (3) fiscal management for controlling the collection and disbursement of funds, and because of the scope of public service provided by the Council, the Council is a separate governmental reporting entity. The Council includes all funds, activities, et cetera, that are within the oversight responsibility of the Council. The Council has no *component* units, defined by GASB Statement 14 as other legally separate organizations for which the elected Council members are financially accountable.

B. Funds

The accounts of the Council are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The funds of the Council are classified into the governmental category. In turn, this category is divided into separate fund types. The fund classification and a description of the existing fund type follows:

Governmental Funds - Governmental funds are used to account for the Council's general government activities, including the collection and disbursement of specific or legally restricted monies. The Council's only governmental fund is the General Fund which is the primary operating fund of the Council. It accounts for all financial resources of the Council.

C. Measurement Focus And Basis Of Accounting

Government-Wide Financial Statements (GWFS)

The Statement of Net Assets and the Statement of Activities displays information about the reporting government as a whole.

The Statement of Net Assets and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

Net Assets - For the Government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either: externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law

OUACHITA COUNCIL OF GOVERNMENTS

Notes To Financial Statements

For The Year Ended June 30, 2012

through constitutional provisions or enabling legislation. In the Statement of Net Assets federal grant projects and payments to local agencies are considered restricted because the use of grant funds has been designated by the benefactor or grantor. It is the Council's policy to spend restricted funds prior to the use of unrestricted funds when applicable.

Program Revenues - Program revenues include operating grants and contributions. Program revenues also reduce the cost of the function to be financed from the Council's general revenues.

General Revenues - General revenues included in the Statement of Activities are derived from local property and sales taxes, from unrestricted state and local grants and from other sources not considered program revenues. General revenues finance the remaining balance of functions not covered by program revenues.

Fund Financial Statements (FFS)

Governmental Funds - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred.

With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The governmental funds use the following practices in recording revenues and expenditures:

Revenues

Intergovernmental revenues are recognized in the amounts earned, to the extent that they are both measurable and available. Other income is recorded when the income is available.

Expenditures

Expenditures are generally recognized under the modified accrual basis when the related fund liability is incurred.

OUACHITA COUNCIL OF GOVERNMENTS

Notes To Financial Statements

For The Year Ended June 30, 2012

D. Budgets

The Council follows these procedures in establishing the budgetary data reflected in the combined financial statements: State statute requires budgets be adopted for the General Fund and any special revenue funds. Each year, prior to the beginning of the fiscal year, the executive director submits to the Council a proposed operating budget for the General Fund. Public hearings are conducted, prior to the Council's approval, to obtain taxpayer comments. Grant funds are included in the General Fund. The operating budgets include proposed expenditures and the means of financing them.

The Council adopts a budget for the General Fund. All appropriations (unexpended budget balances) lapse at year-end.

Encumbrances are not recognized within the accounting records for budgetary control purposes. All governmental funds budgets are prepared on the modified accrual basis of accounting, a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Budgeted amounts are as originally adopted or as amended by the Council. Legally, the Council must adopt a balanced budget, that is, total budgeted revenues and other financing sources including fund balance must equal or exceed total budgeted expenditures and other financing uses. The Council approves budgets at the function level and management can transfer amounts between line items within a function.

Formal budget integration (within the accounting records) is employed as a management control device. The budget is established and controlled by the Council at the functional level of expenditure and budget amendments are adopted by the Council as necessary.

E. Cash

Cash includes amounts in interest-bearing demand deposits. Under state law, the Council may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

F. Use Of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

OUACHITA COUNCIL OF GOVERNMENTS

Notes To Financial Statements

For The Year Ended June 30, 2012

Note 2 - Cash

Custodial credit risk – deposits - These deposits are stated at cost, which approximates market. Under state law, these deposits (or resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. At June 30, 2012, the Council had \$72,989 on deposit with its financial institution all of which was covered by federal deposit insurance.

Note 3 - Receivables

The receivables at June 30, 2012, are as follows:

Class of Receivable	Federal Highway Administration 736-37-0051	Federal Transit Authority 741-37-0124	Total
Federal sources	\$ 17,680	\$ 5,070	\$ 22,750

Note 4 - Intergovernmental Activities

The Council receives contributions from its member agencies to pass through to other local agencies in the region. Additionally, Federal program funds are received from the Louisiana Department of Transportation and Development and transferred to other agencies. For the year ended June 30, 2012, the Council distributed the following:

	General & Administrative	Health and Welfare	Federal Highways Administration 736-37-0051	Federal Highways Authority 741-37-0124	Total
North Delta Regional Planning & Development District	\$ 34,734	\$ -	\$ 260,428	\$ 60,978	\$ 356,140
LA Department of Veterans Affairs	-	13,476	-	-	13,476
Senior Adult Academic Program	-	2,066	-	-	2,066
Ouachita Council on Aging Association for Retarded Citizens/Ouachita	-	1,309	-	-	1,309
GoCARE	-	1,235	-	-	1,235
Ouachita Multi-Purpose CAP	-	1,000	-	-	1,000
RSVP of Ouachita Parish	-	492	-	-	492
Total	\$ 34,734	\$ 19,764	\$ 260,428	\$ 60,978	\$ 375,904

North Delta also paid \$7,210 in accounting fees on behalf of the Council which are included in general and administrative expenses in the Statement of Activities.

OUACHITA COUNCIL OF GOVERNMENTS

Notes To Financial Statements

For The Year Ended June 30, 2012

Note 5 - Dual Roles of Staff

The executive secretary of the Council also serves as executive director of North Delta Regional Planning and Development District (North Delta). The Council has contracted with North Delta to provide technical assistance in carrying out Federal and local program activities. For the year ended June 30, 2012, the Council was billed \$356,140 for Public Works expenditures and administrative fees by North Delta. This amount represents 95 percent of the Council's expenditures for the year. At June 30, 2012, the Council owed \$50,448 to North Delta.

Note 6 - Litigation And Claims

Litigation - The Council was not involved in any litigation at June 30, 2012, nor is it aware of any unasserted claims.

Grant Disallowance - The Council participates in a number of Federal awards programs. The programs are not subject to compliance audits under the Single Audit approach since total Federal expenditures are less than the \$500,000 threshold. These programs are still subject to financial and compliance audits and resolution of previously identified questioned costs. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Council expects such amounts, if any, to be immaterial.

Note 7 - Economic Dependency

The three regular members of the Council, the City of Monroe, the City of West Monroe, and the Ouachita Parish Police Jury, fund the local activities of the Council and also fund the 20 percent match for federal grants. For the year ended June 30, 2012, the three governmental units contributed 31% of the Council's total revenues. Federal sources account for 69% of the Council's total revenues. The loss of local revenue would result in the loss of federal revenue due to the 20 percent match requirement. The loss of federal sources would seriously hamper the organization. However, in neither case, would the Council cease to exist since it operates as a pass-thru mechanism between Federal and local governments. In such a case, the Council would merely cease to function in its present capacity.

Note 8 - Risk Management

The Council is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Council is self-insured for all losses regarding liability. The Council currently reports all of its risk management activities in the General Fund.

REQUIRED SUPPLEMENTAL INFORMATION

OUACHITA COUNCIL OF GOVERNMENTS

General Fund Budgetary Comparison Schedule

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget Positive (Negative)
Budgetary fund balance, beginning	\$ 68,045	\$ 68,045	\$ 68,045	\$ -
Resources (inflows)				
Intergovernmental revenues				
Federal sources				
Federal Highway Administration	208,342	208,342	208,342	-
Federal Transit Authority	51,489	50,782	50,782	-
Local sources				
City of Monroe	30,488	30,311	67,669	37,358
City of West Monroe	5,162	5,162	20,370	15,208
Ouachita Parish Police Jury	26,808	26,808	30,029	3,221
Other revenues				
Contributions-in-kind	-	-	7,210	7,210
Ambulance fees	-	-	-	-
Interest income	-	-	35	35
Amounts available for appropriations	<u>390,334</u>	<u>389,450</u>	<u>452,482</u>	<u>63,032</u>
Charges to appropriations (outflows)				
Current				
General and administrative	34,896	34,734	41,944	(7,210)
Health and welfare	20,774	20,774	19,764	1,010
Public works	<u>321,244</u>	<u>321,406</u>	<u>321,406</u>	<u>-</u>
Total charges to appropriations	<u>376,914</u>	<u>376,914</u>	<u>383,114</u>	<u>(6,200)</u>
Budgetary fund balance, ending	\$ <u>13,420</u>	\$ <u>12,536</u>	\$ <u>69,368</u>	\$ <u>56,832</u>

OTHER REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS

LUFFEY, HUFFMAN, RAGSDALE & SOIGNIER

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CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board Members
Ouachita Council of Governments
Monroe, Louisiana

We have audited the financial statements of the Ouachita Council of Governments (the Council) as of and for the year ended June 30, 2012 and have issued our report thereon dated November 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Council's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings to be a material weakness (Finding 12-01).

**Board Members
Ouachita Council of Governments**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Council's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the Council's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management of the Council, Federal awarding agencies and pass-through entities, and other entities granting funds to the Council and the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Huffman, Regalado & Singma

(A Professional Accounting Corporation)

November 26, 2012

OUACHITA COUNCIL OF GOVERNMENTS

Schedule of Findings

For the Year Ended June 30, 2012

12-01 General Ledger Accounting

(First Reported – 2011)

Finding

All accounts should be reviewed and reconciled on a monthly basis to ensure proper recording of transactions. An amount in excess of \$30,000 from one local contributing government was earned during the audit year but was not recorded and internal controls failed to alert management that these monies were due to the Council. Additionally, approximately \$323,500 (or 86%) of expenses were recorded incorrectly. Rather than classify them in the appropriate accounts, most expenses were compiled in administrative expenses. Additionally, funds distributed to agencies were not expensed on a per agency basis.

Recommendation

The Council should regularly review and reconcile its accounts to ensure all revenues are accounted for and all transactions are recorded appropriately.

Management's Corrective Action Plan

The Council will regularly review and reconcile its accounts to ensure all revenues are accounted for and all transactions are recorded appropriately.

OUACHITA COUNCIL OF GOVERNMENTS

Status of Prior Year Findings

For the Year Ended June 30, 2012

The following is a summary of the status of the prior year findings included in the Luffey, Huffman, Ragsdale & Soignier, APAC audit report dated December 6, 2011, covering the examination of the financial statements of the Ouachita Council of Governments as of and for the year ended June 30, 2011.

11-01 General Ledger Accounting

Finding

All accounts should be reviewed and reconciled on a monthly basis to ensure proper recording of transactions. Funds belonging to the City of West Monroe had been deposited into the Council's bank account in both the prior year and the current year. The funds incorrectly deposited during the fiscal year 2011 (\$5,153) had been returned to the City of West Monroe by the Council during the year ending June 30, 2011. However, the funds deposited in fiscal year 2010 (\$7,792) were still in the Council's bank account at June 30, 2011. These funds were included in the balance on the bank reconciliation but were not recorded in the general ledger. This error resulted in a different general ledger balance on the bank reconciliation than on the general ledger.

Status

Partially resolved, refer to Finding 12-01.